

G. R. S. IX-5]

Previous references.

97 27-18 — 20, 30 (at 35, 38, 50 & 90)

97 73-20 — (1-3)

1921.

97 File No. 73-20

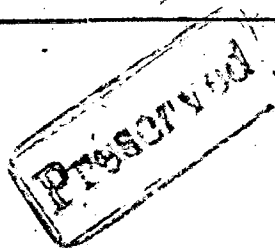
Serial Nos. 445

Later references.

(97)

Preserve
Mr
25.10.21

GENERAL AND REVENUE SECRETARIAT.



Serial Nos. 2

18
/ 81

Part B for September 1921

SUBJECT.

Levy of interest on Capital Expenditure
of the several Industrial Concerns prior to
January 1920.

To The Director of Industries & Commerce
no 7152418 6.9.21.

Decides to levy interest on all Capital
Expenditure of the concerns including that
incurred prior to Jan'y 1920.

202
79.21.

GENERAL AND REVENUE SECRETARIAT.

(97)

NOTES.

File No. 73-20

FILE HEADING.

Industrial Concerns.

From

The Director of Industries & Commerce

No. 3146

Dated

12-3-1921

Received

14-3-1921

Diary No. 586

Enclos.

Spare Copies.

Serial No. 4

BRIEF ABSTRACT OF LETTER.

It Requests that the levy of interest on Capital Expenditure of the several Industrial Concerns prior to Jan'y 1920 may not be insisted on.

NOTES AND ORDERS.

Subd. with reference, for order.

B.H.
27/3T.M.
26/3

The point has been fully
discussed. Vide notes 46.
that of 18.12.20.

Hlong)

27/3

NOTES—First Sheet.

2985
26/3This that
leg of present29/3
2/4

The Dr. cannot seriously contend that he sh.
got any part of Cap for a Commercial Concern
free of interest. 3
First member) This is neither small
4.24.21
4.24.21

Serial
No.

Part of the adv. May it
clear state the int. changes
which have taken into effect
for previous years -

4 The system then was not
clear - small defunct
eg. 20 ships: the cap was
outright cap. in 1919. 11
with 1000000000

5 Under cap.
This was really that
cap. cap. was reported
as these cases were
canceled

6 The Director General has
may be appeared
with charges of
from 1920.. 21.

(G. R. S. G7 73-20)

3174

7/4

Zelus, 7

6.4 18

Please see para 1 of my 2.9
note of 15/12/20. I have noted on this
point and my view ^{has been} ~~was~~ accepted

8 So far as the concerns
are concerned it makes no difference

G. P. File No. 73 of 1928-29

Serial
No.

how the funds supplied to them are found - whether from revenues or from borrowed money. If a Concern is treated as a commercial ^{one} it has to pay for Capital, just as for any other material or service it requires and the payt for Cap is interest. If a part of Cap is supplied free and another part or part of interest then the results of working of the Concern do not represent correct facts. The profit, if any, would be overstated & the loss if incurred, would be understated. If revenue is invested it will yield interest and the form of investment is immaterial. Whether lent to a bank or invested in some security or advanced to a commercial Concern makes no difference. It is true that the expenditure previously incurred was charged off to the Rev acct but the character of the expenditure was not altered by the acct procedure adopted. So far as the Concern were concerned the expenditure was certainly of their Cap acct and this is evident from the fact that their Capital includes such expenditure. When admittedly

2586

14

G. R. S. III-2,

General and Revenue
Secretariat.

G.7 File No. 73

of 1920.

Serial
No.

It is their Capital I do not think it
is reasonable to contend that part
of such Cap should be free of interest.
The transaction has to be viewed
from the point of the Concerns and
so long as they can not deny that
the expenditure previously incurred
was their Capital and so long as
such ~~was~~ expenditure is actually
included as part of their Capital
liability in their balance sheet
I think they can not refuse to
pay interest on it. I therefore
re-submit the case for reconsideration

with
8/4/21

(First member)

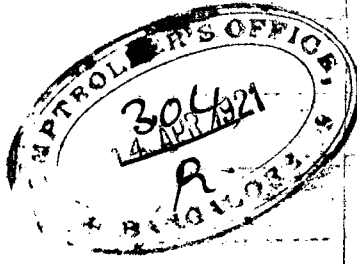
9

Can ex. mtd cap. be
clearly distinguished from the
ex. before the House
and hence to be
as a classification
maintained throughout

11/4

Item, 10

Forwarded to the Comptroller for favour



3220
12/4

Serial
No.

N. 6945

13

It is perhaps advisable not to charge any interest as such on Fixed Capital, which in Government concerns bears an analogy to share capital on which no interest as such is paid. The net realisations remaining after meeting all expenses, depreciation charges, and interest on working capital, may be shown as profits. The percentage yield on the Fixed Capital will then correspond to the rate of dividend on share capital in commercial concerns.

7.5.21

14

To The Chief Secy

9.5.21

Council Section,
Circulate.

15

Is this considered a Council? The Dewan has not acted yet

Submitted to Dewan for order

16

may be circulated
an early meeting, if not possible tomorrow

16.5.21

(Chief Secy)

17

circulate

16/5

P. 70

DEWAN'S OFFICE.

Recd. on MAY 13 1921

Reg. No. 7094

(D.O.C. No 288)

Serial
No.

18

I am inclined to agree with the
Joint Secy in the view expressed by him
which I think is quite correct from
the business point of view. But in
the exceptional circumstances under
which the concerns under reference
were started & worked, I am agreeable
to the compromise suggested in the
Secy's minute of 9.5.21.

Deel15.5.21

^{an early}
(For Disposal at a Meeting)

No. C. 655

.....1920-21.

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

(Clause xii of the schedule)

Levy of interest on capital expenditure incurred in
the Industrial concerns prior to January 1920.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

Maister

19th May.....1921.

Offg. Chief Secretary to Government.

Extraordinary Member of Council.

Don
22.5.21.

First Member of Council.

opinion recorded
Plus
20.5.21

Second Member of Council.

Third Member of Council.

W.H.
21/5

W.H.
21/5

6112-109
19.5.1921.

6597
20.5.21

8

Extract from the Proceedings of the.....573rd.....Meeting of the Council of His
Highness the Maharaja, held at Bangalore on the.....5th July.....1921.....19

429. Subject. - Clause xiii of the schedule.

Levy of interest on Capital Expenditure incurred in
certain Industrial Concerns.

OPINION OF THE COUNCIL.

The First Member of Council is of opinion that the
Financial Secretary's view may be accepted, and interest
on all capital expenditure including fixed capital charged
to the concerns. If the concerns are over capitalised, the
excess may be written off.

The Second Member of Council disagrees and considers
that interest on fixed capital should not be deducted in
determining the results of the working of the concerns.

(Signed) M. Kantaraj Urs,
Dewan of Mysore.

"EXTRACT"

beauties

Chief Secretary to Government.

5586

C 655

9

G. R. S. III-2]

Général and Revenue
Secretariat.

File No.

of 19

*23. As soon as circulation is complete and the opinion of the Council is recorded, the file will be forwarded to the Secretary in the Department concerned for transmission if need be to the Financial Secretary under Standing Orders and for submission to the Dewan or Member in charge.

Extract from the Proceedings of the Council is put up.

Forwarded with compliments to the Secretary to Government.....Financial Department..... under *Rule 23 of the Subsidiary Rules of Council Business.

By Order,

Beaumont

Chief Secretary to Government.

Please put up DSN

under

9.7.21

18/9/21

FINANCIAL SECRETARIAT
95-24
11 JUL 1921

File with DSN

15/7

The last-portion of the DSN.

has been considered

Despatch

18

under

15/7/21

Dewan

19.7.21

EWAN'S OFFICE

recd. on JUL 21 1921

reg. No. 466

NOTE.—Cont. Sheet.

Submitted to His Highness.

These papers relate to the procedure to be adopted in the preparation of the Profit and Loss Accounts of the several industrial concerns.

H 2. In Order No. Fl.428-30/G.F.27-18-90 dated 21st July 1919, it was laid down, among other things, that each concern will be expected to pay interest on the capital provided, at the rate of 6 per cent. per annum out of the gross profits realized but that this will not be insisted on as regards the transactions of previous years.

A 3. On a reference made by the Comptroller submitting his proposals for carrying out the instructions laid down in the above order, he was informed, on a reconsideration of the question, that no distinction need be made in the matter of charging interest in respect of capital incurred from 1st July 1919 or previously thereto.

B Z 4. The Director of Industries has taken objection to the above instruction and says that the levy of interest on expenditure incurred prior to January 1920 may not be insisted on.

5. The Financial Secretary has expressed the following opinion:-

Pages 3 & 4 of office Notes
"So far as the concerns are concerned, it makes no difference how the funds supplied to them are found, whether from Revenues or from borrowed money. If a concern is treated as a commercial one, it has to pay for capital, just as for any other material or service it requires, and the payment for capital is interest. If a part of capital is supplied free and another part on payment of interest, then the results of working of the concern do not represent correct facts....."

"So far as the concerns were concerned the expenditure was certainly on their capital account and this is evident from the fact that their capital includes such expenditure. When admittedly it is their capital, I do not think it is reasonable to contend that part of such capital should be free of interests."

ms

Mr.

Page 2 of office notes

6. Mr. Banerji (First Member of Council) was inclined to support the Director's recommendation and to charge interest from the year 1920-21.

Page 8 of -do-

7. The question was discussed in Council on 5th July 1921 and the following views were recorded by the Members:-

"The First Member of Council is of opinion that the Financial Secretary's view may be accepted, and interest on all capital expenditure including fixed capital charged to the concerns. If the concerns are over-capitalised, the excess may be written off."

"The Second Member of Council disagrees and considers that interest on fixed capital should not be deducted in determining the results of the working of the concerns."

8-. On a careful consideration of the question I am inclined to agree with the First Member and the Financial Secretary.

I submit the case for His Highness' gracious orders.

W. Banerji

23rd of
1921

Record of Cases submitted for the Orders
of His Highness the Maharaja.

Subject.



Procedure to be adopted in the pre-
paration of the Profit and Loss Accounts
of the several industrial concerns.

92.

Order.

~~KRUP~~

1/8/21

H. L.
with

2-8-21

Serial
No.

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to the Members of Council for perusal of
His Highness' orders ^{before}~~after~~ issue of orders. (Vide Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

kuwaitis
Chief Secretary to Govt.

Through the Secretary to Government,
.....*Financial*.....Department.

929-196

6.8.21

(1071)
9.8.21

FIRST MEMBER OF COUNCIL

Seen
Recd
8.8.21

SECOND MEMBER OF COUNCIL

Recd
12/5

THIRD MEMBER OF COUNCIL.

Financial Secretary with Compliments.

Dr. 6
Dr. 15/8
18/6/21

23586

A. R. S. III-2]

General and Revenue
Secretariat.

G7 File No. 73 of 1920.

Serial
No.

Subd with a draft-

Recd
18/8

Issued
31-8-20

TRD
26/8

5

71 1541 dated 6.9.20

to the Director of Industries & Commerce in Mysore
State that it is the decision of the Govt that
interest should be levied on all Cap. Expenditure
of the concerns including that incurred prior
to 1 Jan 1920.

B
6/2/21

TELEGRAPHIC ADDRESS "INDUSTRIES"

In reply please refer to

No. 513146

73-20-1921

67

73-20

OFFICE OF THE

DIRECTOR OF INDUSTRIES AND COMMERCE, IN MYSORE.

Bangalore, 11th March 1921

FROM

V. RANGASAWMY IYENGAR, Esq., B. C. E.,

Director of Industries and Commerce in Mysore,

Bangalore (India).

To

The Financial Secretary to the

Government of Mysore,

BANGALORE.

SIR,

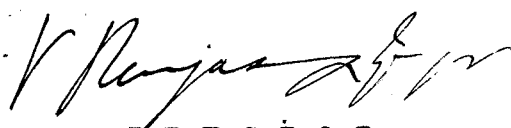
With reference to your letter No. Fl 5076/G.F.73-20-3 dated -- 9-2-1921 forwarding copy of your letter No. F.5075 dated 9th idem, addressed to the Comptroller of Mysore, Bangalore, re: procedure to be adopted in the preparation of the balance sheet of the several Industrial concerns, I have the honour to state that I do not agree with the view expressed therein in the matter of charging interest on Capital Expenditure incurred prior to the introduction of the revised procedure. Para 2 of Government Order No. Fl.428-30/G.G.27-1 dated 21st July 1919 clearly says that "No such charge will be insisted on as regards transactions of previous years".

Under such circumstances, the levy of interest on Expenditure prior to January 1920 may not be kindly insisted on.

I have the honour to be,

Sir,

Your most obedient servant,



DIRECTOR.



REV. SEC.
14 MAR 1921

6836

WHL

By Corried

no. 12

SUBJECT: *...*

...

...

3586

Diary No. of letter replied to

Section 7
File No. 73-20
Serial No 5

General and Revenue Secretariat

()

, the

191

...

To

The Director of Industries & Commerce

Sir,

Date of issue

Signed by

2

B

With refce to your letter Nos/3146 dated 12-3-1921 stating that you do not agree with the view expressed in this office letter No. 285075 d 9-2-1921 addressed to the Comptroller in the matter of charging interest on Capital Expenditure on Industrial Concerns. I am directed to inform you that it is intended that interest on all Capital Expenditure including fixed Capital over.

Medicine 7 pr-

147

Of the Convey including
that
~~whether~~ incurred ~~for~~
prior 15 Jan 1920. &
~~has been paid to the~~
~~author~~

Copy to Compti for information

TWR
298

DATE OF ...
...
...
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...
...

Copied by
Examined by

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE,

General and Revenue Secretariat,

Dated, Bangalore

No.

21541
973-20-5

From

XXXXXXXXXXXX
Official Memorandum.

M.N. Krishna Rao, Esq., B.A.,

Financial Secretary to Government.

To

C.S. Balasundaram Iyer, Esq., B.A.,

Director of Industries and Commerce in Mysore,
Bangalore.

Sir,

With reference to your letter No. 3146 dated 12th March 1921 requesting reconsideration of orders in the matter of charging interest on Capital expenditure on Industrial concerns, I am directed to state that it is the decision of Government that interest should be levied on all Capital expenditure of the concerns - including that incurred prior to January 1920.

I have the honour to be,

Sir,

Your most obedient servant,

For Drafty
3/5
Financial Secretary to Government.

MK.4.

No 21542

Copy to Comptroller copy sent to Secy Section